

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re

STANADYNE LLC, *et al.*,¹
Debtors.

Chapter 11

Case No. 23-10207 (TMH)

(Jointly Administered)

Re: Docket Nos. 245, 265, 276

Sale Hearing: July 10, 2023 at 10:00 a.m. (ET)

Sale Objection Deadline: June 26, 2023 at 4:00 p.m. (ET)²

**LIMITED OBJECTION AND RESERVATION OF RIGHTS
REGARDING DEBTORS' PROPOSED SALE OF ASSETS**

Standard Motor Products, Inc. ("SMP"), by and through their undersigned counsel, Kelley Drye & Warren LLP, hereby submits this limited objection and reservation of rights (the "Limited Objection") in response to the Debtors' *Motion for Entry of: (A) an Order (I) Scheduling a Hearing on the Approval of the Sale of All or Substantially All of the Debtors' Assets Free and Clear of All Encumbrances Other Than Assumed Liabilities and Permitted Encumbrances, and the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, (II) Approving Certain Bidding Procedures and Assumption and Assignment Procedures, and the Form and Manner of Notice Thereof, (III) Authorizing the Debtors to Enter Into the Stalking Horse Purchase Agreement, and (IV) Granting Related Relief; and (B) an Order (I) Approving Asset Purchase Agreement, (II) Authorizing the Sale of All or Substantially All of the Debtors' Assets*

¹ The Debtors in these chapter 11 cases are: Stanadyne LLC; Pure Power Technologies, Inc.; Stanadyne PPT Holdings, Inc.; and Stanadyne PPT Group Holdings, Inc. The Debtors' headquarters are located at 405 White Street, Jacksonville, North Carolina 28546.

² The Debtors extended the objection deadline solely as it relates to the Official Committee of Unsecured Creditors and its members.

*Free and Clear of All Encumbrances Other Than Assumed Liabilities and Permitted Encumbrances, (III) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (IV) Granting Related Relief.*³ In support, SMP states as follows:

1. SMP and debtor-entity Pure Power Technologies, Inc. (“PPT”), entered into a supply agreement dated August 9, 2016 (as amended, the “Supply Agreement”).

2. Pursuant to the Supply Agreement, PPT sells fuel injectors to SMP. SMP supplies PPT with a component, called a “core”, which is used by PPT in the production of the fuel injectors that are sold to SMP. In certain cases, SMP sells cores to PPT and invoices PPT for the cost of the core at or about the time of sale. In the other cases, SMP provides cores to PPT on consignment and invoices PPT for the cost of the core at or about the time PPT withdraws the core from consignment and uses it in the production of fuel injectors to be sold to SMP (the “Consigned Cores”).

3. As of May 31, 2023, PPT owes SMP \$181,590 for Consigned Cores that have been retained by PPT but not yet withdrawn from consignment and used in the production of fuel injectors to be sold to SMP.

4. On May 9, 2023, the Debtors filed the *Notice of Filing of Executed Stalking Horse Purchase Agreement*⁴ (the “Stalking Horse APA”), by which Cerberus Business Finance, LLC (“Cerberus”) is the stalking horse bidder for the purchase of the Debtors’ assets.⁵ The Stalking Horse APA makes no mention of whether Cerberus seeks to purchase the Consigned

³ Docket No. 245.

⁴ Docket No. 265.

⁵ On June 22, 2023, Cerberus was selected as the successful bidder and the auction was cancelled. *See* Docket No. 394.

Cores. Section 1.1 of the Stalking Horse APA provides for the purchase of “all assets, properties, rights, and interests, of any nature.” This definition is sufficiently broad to potentially encompass the Consigned Cores.

5. On June 21, the Debtors filed a proposed order granting the sale of assets to Cerberus (the “Proposed Order”).⁶ SMP has requested that the Debtors include language excluding the Consigned Cores from the sale, and confirming that the Debtors hold no property interest in the Consigned Cores. SMP objects to the extent that Cerberus seeks to purchase the Consigned Cores. As of the date of this Limited Objection, discussions between the parties are ongoing.

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6. Section 363 of the Bankruptcy Code only permits a Debtor to “use, sell, or lease ... *property of the estate*.” 11 U.S.C. §§ 363(b)-(c) (emphasis added). The question of whether the Debtors actually own the assets they seek to sell is, therefore, a threshold question that must be resolved before a sale is approved. *In re Whitehall Jewelers Holdings, Inc.*, No. 08-11261 (KG), 2008 WL 2951974, at *4 (Bankr. D. Del. July 28, 2008) (“A bankruptcy court may not allow the sale of property as ‘property of the estate’ without first determining whether the property is property of the estate.”).

7. The Debtors have not demonstrated that the Consigned Cores are property of the estate, and SMP is advised that the Debtors do not intend to sell the Consigned Cores to Cerberus or any other bidder. Accordingly, SMP requests that the following language be added to any order granting the sale of the Debtors’ assets to protect SMP’s interests:

⁶ Docket No. 393.

Under 541(a), the Debtors do not hold any property interest in any cores that have been retained by and are in possession of the debtors and have been moved to production (the “Consigned Cores”). The Debtors do not seek to sell the Consigned Cores.

8. To the extent the Debtors seek to sell the Consigned Cores, the Debtors’ motion should be denied because the Debtors have not demonstrated a property interest in the Consigned Cores capable of being sold under sections 541(a) and 363 of the Bankruptcy Code.

WHEREFORE, SMP requests that the Court enter an order: (i) approving the sale to Cerberus, subject to the modifications requested herein; and (ii) granting such other and further relief as the Court deems just and proper.

Dated: June 26, 2023
Wilmington, Delaware

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CERTIFICATE OF SERVICE

I, Jennifer R. Hoover, hereby certify that on June 26, 2023, I caused a true and correct copy of the foregoing *Limited Objection and Reservation of Rights Regarding Debtors' Proposed Sale of Assets* to be electronically filed and served on all parties of record via CM/ECF and on the parties listed below via email:

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